

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COUNTY ASSEMBLY OF MANDERA**

**FOR THE YEAR
ENDED 30 JUNE 2017**



MANDERA COUNTY ASSEMBLY
(MANDERA COUNTY)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017

Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector
Accounting Standards (IPSAS)

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
Reports and Financial Statements
For the year ended June 30, 2017

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The County Assembly is constituted as per the constitution of Kenya is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The Members of County Assembly (MCAs) are responsible for making any laws for effective performance of the County Government, approving plans and policies and playing the oversight role over the County Executive.

(b) Key Management

The *Mandera County Assembly's* day-to-day management is under the following key organs:

1. County Assembly Service Board
2. County assembly Speaker
3. County Assembly Clerk
4. Board of Management

(c) Fiduciary Management

The key management personnel who held office during the year ended 30.06.2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Ahmed Hassan Surow
2.	Deputy Clerk	Hassan Abdullahi Abdikadir
3.	Principal Finance Officer	Mohamed Hussein Kahia

(d) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- *Audit committee activities*
- *County Assembly committee activities*
- *County Assembly Service Board*
- *County Assembly Public Account and Investment Committee*

(e) Entity Headquarters

P.O. Box 408-70300
Mandera County Assembly
Mandera Bp1 Road
Mandera, KENYA

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
Reports and Financial Statements
For the year ended June 30, 2017

(f) Entity Contacts

Telephone: (254) 723 577 006
E-mail: manderaassembly.go.ke
Website: www.manderaassembly.go.ke

(g) Entity Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
P.O. Box 275 – 70300
Mandera Branch
Mandera, Kenya

(h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

II. FORWARD BY THE CLERK OF THE ASSEMBLY

I do here by take this opportunity to forward the financial statement for the Mandera County Assembly for financial year 2016/2017. This being the 2nd financial statement there are certain challenges in preparing the same. The county assembly uses the integrated financial management system (IFMIS) in transacting its business which had been a challenge in terms of network connectivity problems necessitated challenges in accessing IFMIS and IB modules which have impacted on funds absorption. As a result of the assembly didn't have funds to pay for June, 2017 salaries and related expenses such as member's mileage and had some accrued expenses for goods and services.

Budget performance

The assembly has utilized 82% of its recurrent budget and has largely been within the approved budget.

The assembly's Development account is still been managed from the county treasury.

The assembly's Development project is handled by the county treasury.

Value-for Money Achievements

Overall in running our programmes value for money has been attained and the envisaged goals of the assembly have been achieved.


AHMED HASSN SUROW

Clerk of the County Assembly

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
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III. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 164 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of a County Government Entity to prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board

The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's financial statements, which give a true and fair view of the state of affairs of the County Assembly for the year ended on 30.06.2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Assembly; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the County Assembly; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Clerk accepts responsibility for the County Assembly's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the County Assembly's financial statements give a true and fair view of the state of the County Assembly's transactions for the year ended 30.06.2017, and of its financial position as at that date. The Clerk further confirms the completeness of the accounting records maintained for the County Assembly which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The Clerk confirms that the County Assembly has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Assembly's funds received during the quarter under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Clerk confirms that the County Assembly's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Assembly's financial statements were approved and signed by the Clerk of the County Assembly on 28.09.2017.


Clerk of the County Assembly

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF MANDERA FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Mandera set out on pages 1 to 17 which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters discussed in the Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the County Assembly of Mandera as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Public Finance Management Act, 2012 and the County Government Act, 2012.

Further, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, except for the matter described in the Other Matter section of my report, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Fixed Assets Register

The summary of fixed assets reflects a balance of Kshs.11,889,466 as at 30 June 2017, which relates to purchase of fixed assets such as motor vehicle, furniture and Information Communication Technology (ICT) equipment which were procured during the financial year under review. The balances and nature of the fixed assets disclosed were not supported with sufficient evidence since the County Assembly did not maintain a fixed assets register as required by Section 136 of the Public Finance Management Regulations, 2015.

Under the circumstances, it has not been possible to ascertain the completeness and accuracy of the balances and nature of the fixed assets disclosed in the financial statements as at 30 June 2017.

2. Unaccounted for Ward Fund Expenses

The County Assembly of Mandera paid ward expenses amounting to Kshs.20,640,000 as at 30 June 2017. However, there were no approved structures for the employees working at the ward offices. Further, recruitment was not conducted by the County Assembly Public Service Board but instead it was illegally carried out by the Members of the County Assembly (MCA's). No authority pertaining to this recruitment has been seen hence the positions were not competitively sourced. In addition, there was no documentary evidence to show that statutory deductions of the staff were made from the employees' salaries and remitted to the relevant bodies. Muster rolls were also not maintained for the casual workers.

In view of the foregoing, it has not been possible to confirm the propriety, accountability and value for money for the expenditure of Kshs.20,640,000 incurred as ward fund expenses as at 30 June 2017.

3. Unaccounted for Travel and Subsistence Allowance

Audit scrutiny of payment vouchers and other supporting documents relating to domestic travel and subsistence allowances revealed that an amount of Kshs.9,798,244 was paid to MCAs and other staff who were attending workshops and other official duties at Nairobi and other areas. However, the payments were not supported with invitation letters, training programs and attendance register. The mode of transport used was not indicated since the payments were not supported by bus tickets, work tickets or air tickets. .

Further, some cases the nature of training, date and location of the training were not disclosed or made available for audit review

Under the circumstances it has not been possible to ascertain the propriety of the expenditure of Kshs.9,798,244 incurred on travel and subsistence allowances as at 30 June 2017.

4. Unsupported Training Expenses

Examination of payment vouchers and other supporting documents revealed that the Assembly spent Kshs.6,288,100 on training. However, the payments were not supported with the relevant documentations such as invitation letters, training programs and list of participants to confirm the training. Further, the mode of transport used was not indicated.

In view of the foregoing, the amount used for the training of Kshs.6,288,100 could not be confirmed as at 30 June 2017.

5. Unaccounted for Mileage Allowance

During the year under review, the Assembly made payments of Kshs.23,780,060 to Members of the County Assembly in respect of mileage claims. However, the mileage claims were not supported with copies of the motor vehicle logbooks and work tickets of the vehicles used to ascertain the ownership, number of kilometers covered and to confirm that MCAs travelled to their destinations.

Further, it was noted that claims paid to the MCA's were not supported with approved AA applicable rates as per Salaries and Remuneration Commission's circular .In addition some of the payment vouchers were supported with work tickets which were not authorized.

Under the circumstances, the validity of the mileage claims of Kshs.23,780,060 paid to the MCA's during the year could not be confirmed as a proper charge on public funds.

6. Unsupported Expenditure on Foreign Travel

During the financial year under review, the County Assembly of Mandera spent Kshs.6,244,244 on travel and subsistence allowances for foreign trips undertaken by members and officials of the County Assembly . However, a review of the expenditure revealed that the payments were not supported with relevant documents such invitation letters, clearance letters from the county assembly service board and Ministry of Devolution and Foreign affairs, copies of passports, visas and travel insurance for the members. Further, although the foreign trips made by the MCAs were reportedly for education and bench marking exercises, there were no reports maintained on the same hence there was no evidence to confirm that the MCAs travelled and attended the said functions.

Under the circumstances it has not been possible to ascertain the propriety of the expenditure of Kshs.6,244,244 on foreign travel.

7. Irregular Procurement and Unsupported Expenditure on Office Furniture and Office Equipment

The County Assembly procured office furniture and general equipment's amounting to Kshs.8, 807,988 during the year under review. However, no written contract agreement was entered into between the procuring entity and the companies providing the services as required by Section 87(1) of Public Procurement and Asset Disposal Act, 2015.

Notifications to unsuccessful bidders were not done as per Section 87(3) of Public Procurement and Asset Disposal Act, 2015. Further, according to the Act, the inspection and acceptance committee should inspect the goods and ensure that they are received in good condition and also goods or services meet the technical standards defined in the contract. However no such report was made available for audit review.

The purchased furniture and equipment were not received through S13 or taken on charge in store ledgers as required by the law.

In view of the foregoing anomalies, it has not been possible to confirm the propriety of the expenditure of Kshs.8,807,988 incurred on purchase of office furniture and other equipment as at 30 June 2017.

8. Irregular Payment of Medical Insurance Cover

The County Assembly of Mandera procured Medical Services amounting to Kshs.2,800,000 during the year under review. However, no written contract agreement was entered into between the procurement entity and the company providing the services as required by Section 87(1) of the Public Procurement and Asset Disposal Act, 2015. Further, a copy of the insurance policy was not made available for audit review.

Consequently, the expenditure of Kshs.2,800.000 could not be confirmed as a proper charge on public funds.

9. Unsupported Expenditure for Motor Vehicle Repairs

Audit review scrutiny of the expenditure on motor vehicle repairs revealed that the County Assembly of Mandera spent a total of Kshs.1,678,073 on motor vehicles expenses. However, proper procedures were not adhered to in making the payments as there was no certificate of inspection issued by the mechanical department (public works) indicating the nature of repairs and estimated costs to ascertain whether it was economical to repair the motor vehicles. It was also noted that the repairs and defects were not taken on charge in the logbook (GP 55) and the work tickets were not made available for audit to confirm the repairs were indeed carried out.

Under the circumstances, it has not been possible to ascertain the propriety of the expenditure on repair of motor vehicles of Kshs1,678,073 as at 30 June 2017.

10. Pending Bills

The financial statements as shown in Annex1 revealed that the County Assembly had accumulated pending bills amounting to Kshs.35,168,434 as at 30 June 2017, However, a review of the pending bills schedule provided for audit revealed that the ageing time was not indicated and therefore it was not possible to ascertain how long the debts had been outstanding. Further the supporting documents such as invoices, demand notices, contract numbers or suppliers' statements were not provided for audit verification to confirm proper procedures were followed in procurement and the validity of the expenditure.

In view of the foregoing, the authenticity, accuracy and completeness of the pending bills balance of Kshs.35,168,434 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Assembly of Mandera in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable

to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified opinion section, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1. Budgetary Control and Performance

During the year under review, the approved budget of the County Assembly of Mandera was Kshs.856,092,930 out of which a sum of Kshs.700,168,112 (81.79%) was allocated to recurrent expenditure and Kshs.155,924,818 (18.21%) to development expenditure. However, the Assembly received Kshs.572,845,037 for recurrent expenditure and spent Kshs.572,830,440 or 99.8% of the budget.

The County Assembly therefore attained a good absorption rate during the year under review.

2. Lack of Internal Audit Department and Committee

A review of the overall Internal control environment of County Assembly of Mandera as at the time of audit revealed that there was no formal risk assessment process put in place to mitigate risk. Further, the County Assembly lacked an examination unit and Internal Audit department. In addition, there was no Audit Committee as at the time of audit.

Under the circumstances, management can easily override controls. Further, in such instances, cases of fraud and errors may not be detected and corrected in a timely manner.

No proper explanation was given for the irregularities noted.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Assembly's ability to sustain services, disclosing, as applicable, matters related to going sustainability of services.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the Assembly's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, for the purpose of giving an assurance on the effectiveness of the Assembly's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Assembly's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Assembly to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities of the Assembly to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

16 July 2018

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)**Reports and Financial Statements****For the year ended June 30, 2017****IV. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2016/17 Kshs	2015/16 Kshs
RECEIPTS			
Transfers from the County Treasury/Exchequer Releases	1	572,845,037.35	603,979,363
TOTAL RECEIPTS		572,845,037.35	603,979,363
PAYMENTS			
Compensation of Employees	2	256,714,147.15	249,124,100.90
Use of goods and services	3	304,171,048.25	331,640,551.40
Acquisition of Assets	4	11,889,466.20	22,746,376.00
Finance Costs, including Loan Interest	5	55,778.50	
TOTAL PAYMENTS		572,830,440.10	603,511,028.30
SURPLUS/DEFICIT		14,597.25	468,334.70

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28.09.2017 and signed by:


Clerk of the Assembly
Name: Ahmed H. Surow

Principal Finance Officer – County Assembly
Name: Mohamed H. Kahia

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
Reports and Financial Statements
For the year ended June 30, 2017

V. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES

	Not e	2016/2017 Kshs	2015/16 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6A	14,597.25	468,334.70
Cash Balances	6B	-	-
Total Cash and cash equivalents		14,597.25	468,334.70
Accounts receivables – Outstanding Imprests	7	-	-
TOTAL FINANCIAL ASSETS		14,597.25	468,334.70
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	8	-	-
NET FINANCIAL ASSETS		14,597.25	468,334.70
REPRESENTED BY			
Fund balance b/fwd	9	-	-
Surplus/Deficit for the year		14,597.25	468,334.70
NET FINANCIAL POSITION		14,597.25	468,334.70

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28.09.2017 and signed by:



Clerk of the Assembly
Name: Ahmed H. Surow



Principal Finance Officer – County Assembly
Name: Mohamed H. Kahia

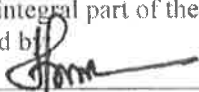
MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
Reports and Financial Statements
For the year ended June 30, 2017

VI. STATEMENT OF CASH FLOWS

	Note	2016/17 Kshs	2015/16 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating income			
Transfers from the County Treasury/Exchequer Releases	1	572,845,037.35	603,979,363.00
Other Receipts		-	-
Payments for operating expenses			
Compensation of Employees	2	256,714,147.15	249,124,100.90
Use of goods and services	3	304,171,048.25	331,640,551.40
Finance Costs, including Loan Interest	5	55,779	-
Transfers to Other Government Entities		-	-
Other grants and transfers		-	-
Social Security Benefits		-	-
Finance Costs		-	-
Other Payments		-	-
Adjusted for:			
Adjustments during the year		-	-
Net cash flows from operating activities		11,904,063.45	23,214,710.70
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets		-	-
Acquisition of Assets	4	11,889,466.20	22,746,375.90
Net cash flows from investing activities		14,597.25	22,746,375.90
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalent at BEGINNING of the year	6	14,597.25	468,334.80
Cash and cash equivalent at END of the year		14,597.25	468,334.71

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28.09.2017 and signed by

Clerk of the Assembly
Name: Ahmed H. Surow


Principal Finance Officer – County Assembly
Name: Mohamed H. Kahia

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
Reports and Financial Statements
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VII. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT AND DEVELOPMENT COMBINED


Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilization difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	-	-	700,168,112	572,845,037.35	82%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	-	-	700,168,112	572,845,037.35	82%
PAYMENTS					
Compensation of Employees	-	-	408,719,966	256,714,147.15	63%
Use of goods and services	-	-	278,298,146	304,171,048.25	109%
Acquisition of Assets	-	-	13,150,000	11,889,466.20	90%
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	-	-	700,168,112	572,774,661.60	82%
SURPLUS/ DEFICIT					

(NB: the total under actual on comparable basis should be the same as the totals under the statement of receipts and payments, where the two statements are not in agreement, a reconciliation of these two statements should be prepared as required under IPSAS and presented hereunder)

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
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For the year ended June 30, 2017

VIII. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	% of Utilisation difference to final budget
	Kshs	Kshs	c=a+b	e=d-c	Kshs
RECEIPTS					
Transfers from the County Treasury/Exchequer Releases	-	-	700,168,112	572,845,037.35	82%
Proceeds from Sale of Assets	-	-	-	-	-
Other Receipts	-	-	-	-	-
TOTAL	-	-	700,168,112	572,845,037.35	82%
PAYMENTS					
Compensation of Employees	-	-	408,719,966	256,714,147.15	63%
Use of goods and services	-	-	278,298,146	304,171,048.25	109%
Social Security Benefits	-	-	-	-	-
Acquisition of Assets	-	-	13,150,000	11,889,466.20	90%
Finance Costs	-	-	-	-	-
Other Payments	-	-	-	-	-
TOTAL	-	-	700,168,112	572,845,037.35	82%
Surplus/ Deficit					


 Clerk of the Assembly
 Name: Ahmed H. Surow


 Principal Finance Officer – County Assembly
 Name: Mohamed H. Kahia

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
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For the year ended 30 June 2017

IX. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The statement of assets and liabilities, although not a requirement of the IPSAS Cash Standard, has been included to disclose information on receivables and payables.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. Reporting entity

The financial statements are for the Mandera County Assembly. The financial statements encompass the reporting entity as specified in section 164 of PFM Act 2012.

3. Recognition of receipts and payments

a) Recognition of receipts

The County Assembly recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Assembly.

Tax receipts

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

Transfers from the Exchequer/ County Treasury

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

Other Receipts

Other receipts relate to receipts such as tender fees among others. These are recognised in the financial statements when the associated cash is received.

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)

Reports and Financial Statements

For the year ended June 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Recognition of payments

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

4. In-kind contributions

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of receipts and payments both as receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

Restriction on cash

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)

Reports and Financial Statements

For the year ended June 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

7. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted and prescribed by the Public Sector Accounting Standards Board. Other liabilities including pending bills are disclosed in the financial statements.

8. Non-current assets

Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

9. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the entity at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

10. Budget

The budget is prepared on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The entity's budget was approved as required by Law. The original budget was approved by the County Assembly on 30.06.2016 for the period 1st July 2016 to 30 June 2017 as required by law. There was nil number of supplementary budgets passed in the year. A high-level assessment of the entity's actual performance against the comparable budget for the financial year under review has been included in the Statement of Comparison between actual and budgeted amounts included in these financial statements.

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
Reports and Financial Statements
For the year ended June 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

12. Subsequent events

Events subsequent to submission of the financial year end financial statements to County Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of the County Treasury.

13. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

14. Related party transactions

Related party transactions involve cash and in kind transactions with the National Government, National Government entities and County Government entities. Specific information with regards to related party transactions is included in the disclosure notes.

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
Reports and Financial Statements
For the year ended June 30, 2017

X. NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from the County Treasury/Exchequer Releases

	2016/17	2015/16
	Kshs	Kshs
Transfers from the County Treasury for Q1	112,845,037.35	76,947,679
Transfers from the County Treasury for Q2	150,000,000.00	104,518,169
Transfers from the County Treasury for Q3	100,000,000.00	130,814,154
Transfers from the County Treasury for Q4	210,000,000.00	291,699,361
Cumulative Amount	572,845,037.35	603,979,363

(Where money is transferred to the County Assembly on a monthly basis, include the months instead of quarters. A detailed annex showing the reconciliation of transfers between the County Treasury and County Assembly is included in this report.)

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
Reports and Financial Statements
For the year ended 30 June 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 COMPENSATION OF EMPLOYEES

	2016/17	2015/16
	Kshs	Kshs
Basic salaries of permanent employees/ legislature	133,938,664.45	34,442,455
Basic wages- legislature	-	871,920
Personal Allowance - Paid as Part of Salary	98,231,373.65	122,801,479.30
Hardship Allowance		67,539,736
Other Allowance		23,936,845.30
Gratuity /Pension for Mcas	24,544,109.05	
Total	256,714,147.15	249,124,100.90

(Provide detailed explanation with regard to the number of employees recruited by the Assembly, new employees and resignations. Explain what other personnel costs relate to)

3 USE OF GOODS AND SERVICES

	2016/17	2015/16
	Kshs	Kshs
Utilities, supplies and services	1,107,100.00	913,126
Communication, supplies and services		4,990,260
Domestic travel and subsistence	75,760,498.00	82,126,648
Foreign travel and subsistence	19,106,864.40	19,380,630
Printing, advertising and information supplies & services	35,182,372.30	5,600,000
Rentals of produced assets	3,201,440.00	1,500,000
Training expenses	26,067,273.00	16,448,184
Hospitality supplies and services	5,377,195.90	7,450,000
Insurance costs	19,698,595.00	31,656,654
Specialized materials and services	500,000.00	929,690
Office and general supplies and services	5,129,151.75	4,860,488
Other operating expenses	96,603,675.00	140,454,077
Routine maintenance – vehicles and other transport equipment	10,570,429.00	12,024,670
Fuel Oil and Lubricants	2,552,500.00	
Routine maintenance – other assets	3,313,953.90	3,306,125
Total	304,171,048.25	331,640,551.40

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
Reports and Financial Statements
For the year ended 30 June 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCE COSTS

	2016/17	2015/16
	Kshs	Kshs
Bank Charges	55,778.50	-
Total	55,778.50	-

(Provide detailed explanation on finance costs and whether they relate to borrowings on bank overdraft)

13 A BANK ACCOUNTS

Name of Bank, Account No. & Currency	Indicated whether recurrent or development	2016/17	2015/16
		Kshs	Kshs
Mandera County Assembly Recurrent Account, Central bank of Kenya.1000240897	Recurrent	14,597.25	-
Mandera County Assembly Service Board Kenya Commercial Bank.1143310691	Recurrent	0.00	467,982.36
Total		14,597.25	467,982.36

(NB: all bank accounts operated by the County Assembly should be included in this note.)

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
Reports and Financial Statements
For the year ended 30 June 2017

DISCLOSURE NOTES

18.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2016/17	2015/16
	Kshs	Kshs
Construction of buildings	-	47,866,776
Supply of goods	2,567,200.00	256,000
Supply of services	2,900,000.00	4,820,000
Compensation of Employees	25,262,810.75	-
PENDING TRFS/VAT	4,438,423.45	-
Total	35,168,434.20	52,942,776

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)**Reports and Financial Statements****For the year ended June 30, 2017****XI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
FINANIAL STATEMENT OF COUNTY ASSEMBLY OF MANDERA FOR THE YEAR ENDED 30 JUNE 2016	Fixed asset Register disclosed were not supported with sufficient evidence and queried expenditure cannot be confirmed its propriety, Accountabilit y and value for money.	The management has responded to the management letter report for the FY 2015/2016 and waiting for the Auditor General's comment	Mohamed Hussein Kahia Principal Finance officer	Not Resolved	22 nd December, 2017

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Clerk of the County Assembly

Sign. 

Date. 28/09/2017

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
Reports and Financial Statements
For the year ended 30 June 2017

XII. ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Comments
	A	b	c	d= a-c		
Compensation of Employees						
1. Basic salary for the month of June 2017	18,006,365.75					
2. Ward office salaries and expenses for the of June 2017	2,720,000.00					
3. Car mileage claims for the month of June 2017	4,536,445.00					
Sub-Total	25,262,810.75					
Supply of goods						
4. Catering services(receptions), Accommodation, Gifts	615,200.00					
5. Purchase of computers, printers, and other IT equipment	1,952,000.00					
6.						
Sub-Total	2,567,200.00					
Supply of services						
7. Maintenances expense, motor vehicle	900,000.00					
8. Committee and chamber proceedings to the public	2,000,000.00					
9.						
Sub-Total	2,900,000.00					
PENDING TRFS/VAT	4,438,423.45					
Sub-Total	4,438,423.45					
Grand Total	35,168,434.20					

MANDERA COUNTY ASSEMBLY - (MANDERA COUNTY)
Reports and Financial Statements
For the year ended 30 June 2017

XIII. ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	2016/2017	2015/2016
Land		
Buildings and structures		4,626,790
Refurbishment of Buildings	1,989,400.00	6,700,653
Office Furniture and General Equipment	5,388,066.20	6,977,928.10
ICT Equipment, Software and Other ICT Assets	1,390,000	4,441,634.80
Other Machinery and Equipment	-	-
Air conditioners and fans	1,972,000.00	-
Other office equipments,mace,cameras	1,150,000.00	-
Total	11,889,466.20	22,746,376.00

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the County Assembly since its inception. Additions during the year should tie to note 10 on acquisition of assets during the year and subsequently the statement of receipts and payments